

Study Committee Notes (as of 2-27-07)

A. Availability of home inspections for windstorm resistance

- Recommend that a uniform inspection form be developed by the Department of Financial Services and adopted by the Financial Services Commission for use by wind mitigation inspectors, and as the basis for generating hurricane ratings on structures.
- Recommend exempting the following licensed professionals from background check and drug test requirements for wind mitigation inspector under the law: contractors, engineers, architects and building officials. Recommend streamlining education requirements to a minimum of two hours.
- Recommend the Department of Financial Services expand inspections statewide beyond the 17 counties selected in the pilot phase.
 - High-risk policyholders insured by Citizens Property Insurance Corporation should have their homes inspected at the time their policies are renewed. (Citizens currently insures 401,000 high-risk policyholders)
- Recommend the Legislature consider future funding to continue conducting inspections for single-family, owner-occupied homes.
- Recommend that a pilot program be developed to inspect multi-family structures of up to four units.
- Recommend posting inspector training information online.

B. Grants to assist homeowners, and possibly other groups of property owners, to harden their property against windstorm damage

Recruiting contractors to participate in the My Safe Florida Home program has been a challenge, and their participation is critical to homeowners who apply for grants and want to pursue the retrofit improvements recommended in their inspection reports.

- Recommend eliminating the requirement that the Department of Financial Services maintain a registry of participating contractors that homeowners must select from in order to obtain a grant. (Section 215.5586 (2) (c), Florida Statutes)
- Recommend licensed contractors involved in mitigation sign up with existing contractor networks, such as the Disaster Contractors Network, to connect homeowners interested in mitigating their homes with interested contractors.

To prioritize grants to homeowners for mitigation, the committee considered several alternatives.

- Recommend the Legislature or Department prioritize grants to homeowners with consideration of the following factors:
 - Must have received a wind mitigation inspection.
 - Homes built before 2002 (when statewide code was implemented).
 - Homes in coastal counties and interior counties significantly impacted during the 2004 and 2005 hurricane seasons.
 - Homes insured by Citizens Property Insurance Corporation. (Citizens insures approximately 400,000 high-risk policyholders.)

C. Full actuarial value to be reflected in premium credits for mitigation

As more Floridians engage in home hardening activities, those activities should be reflected in insurance companies' approved rates. Rate increase indications are based on a comparison of an insurer's trended loss ratio to a target loss ratio. When an insurance company's rate filing does not fully reflect the hardening characteristics of the houses being insured, the numerator of the trended loss ratio will be overstated and result in an excessive rate increase. When this happens, the advantage to a homeowner of obtaining a discount for home hardening can be negated by an increase to the base rate.

Currently, the Office of Insurance Regulation relies on a study performed by Applied Research Associates (ARA) in 2001. The multiple hurricanes of 2004 and 2005 had widespread impact in many areas of Florida, providing an opportunity to gather large amounts of more accurate data on the effectiveness of recent building code changes. To the extent that companies that model and predict risk are missing this data and potentially understating the benefits of home hardening efforts in recent years, then insurance rates are potentially being overstated. Recent and ongoing mitigation efforts need to be reflected in the rate setting process.

- Recommend the Legislature require that by a date certain all insurance rate calculations include a defined level of specificity on the windstorm mitigation profile of each carrier's book of business.
- Recommend the Legislature direct the Office of Insurance Regulation to perform an updated windstorm loss relativity study.

*Committee Member Michael Aranda offered an alternate survey checklist for personal residential that captures data on new construction features that could be considered "code-plus" and where homeowners should receive corresponding discounts or credits on their insurance premium. Checklist could be filled out by homeowner or insurance agent.

- Recommend the checklist for new construction and updates to the home rating system be reviewed and considered by the Office of Insurance Regulation for additional premium credits.
 - Recommend the Office of Insurance Regulation review and consider this checklist be used also for homes built before 2002 and that are stronger than state code.

D. Most effective ways to inform policyholders of the availability of and means by which to obtain premium credits for windstorm mitigation

The committee recognizes that an important goal should be to educate all homeowners and business owners on the benefits of windstorm mitigation, including personal safety, security of property and return on investment.

While committee discussions have ranged from way to communicate (tax notices, real estate disclosures, notices from insurance companies, to name a few) or who to help us communicate, there is universal consensus that current efforts are not reaching our target audiences. Impediments to “getting the word out” include complexity of information, multiple and confusing forms to obtain mitigation discounts/credits, and general lack of knowledge about what mitigation is and how mitigation is meaningful. The committee identified several ‘moments of opportunity’ that need to be seized to promote mitigation as part of our state’s ‘culture of preparedness’ and which are addressed below.

Measures that the Committee recommends for consideration to address this issue and to promote this goal are

- Support standardizing the form homeowners use to obtain mitigation discounts from their insurance companies and requiring all insurers to universally recognize this form.
 - Recommend advertising substantial discounts that can be realized through mitigation so more homeowners are encouraged to harden their homes.
 - NOTE: Michael Aranda raised the point that the draft form, as developed by the Office of Insurance Regulation, is insufficient for new construction. This form only deals with shape of roof and type of opening protection. His argument is that stronger construction methods should be recognized by insurers and that homeowners should be able to realize the benefits of stronger construction.
- Recommend the Legislature support funding for pre-disaster and post-disaster public education and awareness program to educate homeowners on the safety and economic benefits of mitigating their home.
 - Priority may be given to funding education initiatives post-disaster when repairs are made or homes are being rebuilt.
- Recommend requiring licensed professionals who have direct contact with homeowners, such as insurance agents, realtors and financial industry representatives, provide information on mitigation at the time a transaction occurs (i.e., sale of an insurance policy or home, and purchase of a mortgage).
- Recommend partnering with private sector stakeholders to promote public education and awareness as part of the state’s long-term mitigation strategy. Partners would include but not be limited to:

- Insurance agents
- Insurance companies
- Realtors
- Inspectors
- Builders, contractors, roofers and other construction professionals
- Retailers (like Home Depot, Lowes, Sears)
- Financial services industry (banks and credit unions)

E. Coordination among federal, state, local and private initiatives

Diverse research and practical initiatives for testing, marketing and implementing ‘mitigation’ are underway in all levels of government and among supporting private sector entities, including non-profits. While efforts and information-sharing among various stakeholders are laudable, there is a lack of a well-coordinated approach and in some cases, there is overlapping or competing programs and initiatives. For example, there are several proposals to build full-scale testing facilities, where mitigation techniques could be tested. These proposals are in direct competition with one other for scarce resources.

The committee strongly supported the need for more focused and coordinated effort on research and more rapid identification and implementation of (mitigation) goods and services to the public.

In order to address this need for enhanced and rational coordination of efforts, the Committee requests consideration of the following measures.

- Recommend the Legislature establish and fund the Florida Catastrophic Storm Risk Management Center of Excellence to coordinate and fund research and grant development among higher education institutions and the private sector to develop capacity for hardening homes in Florida. The Center would have a clearly defined mission with work to be accomplished within a specific timeframe. (first memo to committee)
- Recommend the Legislature consider a joint resolution supporting congressional efforts for a National Hurricane Research Initiative. To maximize support, recommend that the executive branch and local governments support this effort.
 - (See Garrett’s notes on National Science Board)

F. Streamlining or strengthening applicable state, regional and local regulations

The Committee has found that the process of consideration of new technologies and practices that address residential mitigation is cumbersome and drawn out, in part due to legal and statutory requirements. As a result, development of stronger construction methods is not encouraged under existing rules and requirements.

There is also an apparent lack of discrimination between high and lower hazard areas with respect to the application of state and federal funds for mitigation, potentially resulting in an unintended consequence: encouragement of development in the high hazard areas at the expense of lower risk locations.

The Committee suggests a review and consideration of the following measures for streamlining or strengthening of applicable state, regional and local regulations:

- Recommend that cost-effective changes important to mitigation, including ring shank nails or similar construction materials and secondary water barrier, be expeditiously reviewed by the Florida Building Commission for adoption in the Florida Building Code.
- Recommend Florida Building Commission conduct an expedited review of the following code-plus requirements for potential adoption in the Florida Building Code, including prioritizing improvements or establishing a formula for implementing code-plus improvements.

Soffits

Shutters that protect windows from breaking

Michael's list

- Recommend the Office of Insurance Regulation conduct an independent study of "code-plus" features and report to the Legislature the level of premium discounts/credits that should be made available to homeowners by insurance companies for retrofitted homes or new construction built with "code-plus" features.
- Recommend streamlining the Florida Building Commission's research, review and adoption process for making changes to the Florida Building Code.
- Recommend supporting continued funding for research of code-plus changes to the Florida Building Code.
- Recommend requiring industry certification of welders.
- Recommend that state funds for mitigation not be used on structures in coastal flood zones or structures that are non-compliant with requirements under the National Flood Insurance Program. (better define)
- Recommend postponing the effective date for complying with HB 1-A changes (Panhandle exemption and internal pressurization option).
 - A 6-month grandfather period was suggested.

- Recommend the Legislature consider improvements to the current system of building official and contractor education.
- *Recommend that on the scale of 0 to 100 that homes built to the Florida Building Code be rated 50 on the scale to incentivize new construction built to code plus.
- *Recommend the Legislature consider requiring the Florida Building Commission to develop a methodology to incorporate cost-effective wind loss reduction in its mission.
- *Recommend the Florida Legislature provide annual recurring funding for research for building codes and mitigation.
- *Recommend the Florida Legislature consider adding a consumer advocate to the Florida Building Commission

The study committee recognized that the issue of land use regulation is central to the problems that Florida faces with the availability and affordability of insurance. The committee did not feel there was adequate time to discuss this topic.

- Recommend further study of the role and impact of land use regulations on the state's efforts to mitigate structures against hurricanes and to reduce the state's exposure to hurricane losses.

G. Stimulation of public and private efforts to mitigate windstorm damage

There is a disconnect between public and private initiatives to promote mitigation. The committee recommends the following measures to address this area.

- Recommend efforts be made to identify private funding for mitigation to leverage public funds.
- Recommend the Legislature devise an incentive program to encourage insurance companies operating in Florida to facilitate wind inspections and mitigation to their policyholders.
 - Insurance companies could prioritize a voluntary inspection program for their insureds living in single-family homes in hurricane-vulnerable areas.
 - Insurance companies that implement such a program would get “points” toward a letter grade given by the Insurance Consumer Advocate for promoting mitigation in Florida.
- Recommend insurance companies create incentives for insurance agents to promote mitigation.

H. Discovery and assessment of funding sources for windstorm mitigation

Pre-Disaster

- Recommend the Legislature consider a funding mechanism to direct mitigation of homes being repaired through the SHIP program.
 - Sadowski Trust Fund may be a mechanism for consideration
 - A percentage of Sadowski funds could be dedicated to match funds from the My Safe Florida Home to retrofit low-income homes.
- Recommend the Legislature explore other housing programs for home hardening opportunities to further the state's goal of hardening Florida's housing stock as rapidly as possible.
- Recommend that the state more aggressively pursue pre-disaster mitigation (PDM) funds, which require a match, to help harden low-income homes.

Post-Disaster

- Recommend the Legislature identify problems with blue tarps and require the Division of Emergency Management (DEM) to review alternative products to blue tarps to ensure homes are better protected from further damage.
- Recommend, to the greatest extent possible, that 406 mitigation funds be used to harden residential structures.
- ***Recommend the Legislature reevaluate the formula for allocating federal funding in the Hazard Mitigation Grant Program (HMGP).**
 - **The HMGP provides grants for long-term mitigation after a declared disaster. Last fall, the Federal Emergency Management Agency increased funding for this disaster-dependent program from 7.5% to 20% of the cost of the disaster/federal expenditures. Right now, state rules require the overwhelming majority of the funding (85% – 90%) to fund Local Mitigation Strategies, with the remained going to state priorities. The funding has traditionally been used to harden and mitigate public infrastructure and not for residential mitigation.**
- Recommend the Legislature direct funding post-disaster, to the greatest extent possible, within 30 days to harden homes in disaster areas.
- Recommend providing greater than 50 percent reimbursement for the cost of disasters for counties and communities that invest in residential mitigation. (Refer to Section 252.37 (5) (a) (b), Florida Statutes)

I. Tax incentives for windstorm mitigation

- Recommend the Legislature provide a sales tax exemption on products used to harden a home for a set period of time.
 - Recommend the Legislature narrowly define the list of products, such as shutters, impact-resistant glass, reinforced garage doors, hurricane clips, that would be exempt from sales tax.
 - Recommend the Legislature consider whether all homeowners should be eligible for sales tax holiday or just homeowners participating in the My Safe Florida Home program.
- Recommend the Legislature consider a property tax discount for homeowners based on the hurricane rating of their home.
 - Flat fee discount for properties that rate high on the rating scale.
 - Impact fee discount program
- Recommend the Legislature consider ad valorem tax abatement on commercial properties to incentivize employers to mitigate commercial structures.
- Recommend the Legislature consider creating a revolving loan fund to help homeowners access loans to make retrofit improvements.
- Recommend the Legislature approve a joint resolution calling on Congress to provide federal tax credits for citizens who mitigate their homes.

(NOTE: H.R.913 – Proposed legislation by Rep. Gus Bilirakis to amend the Internal Revenue Code of 1986 to provide a credit against tax for hurricane and tornado mitigation expenditures.)

- Recommend the Legislature tie incentives to mitigating when repairs are made to a home post-disaster or when energy-efficient devices are installed.
- Recommend the Florida Building Commission review stronger requirements when a roof is voluntarily being redone and tie an incentive to this process, such as waiving the cost of the building permit.
 - NOTE: Bill Coffey cautioned that roofers would need to get certified to put hurricane clips on roof trusses.

J. Consumer information concerning the benefits of windstorm mitigation, including personal safety and property security

- Recommend the hurricane-resistance rating of a home be “imprinted” on the property appraisers’ tax rolls. The rating would be updated if retrofit improvements are made that result in a new rating.

- Recommend requiring property appraisers identify specific mitigation features on all property – homestead, non-homestead and commercial.
- Recommend the Legislature require a “mitigation” disclosure pointing out that a home has been inspected for its strength against hurricanes at the time a home is sold/purchased.
- Recommend the Legislature consider whether this disclosure should include the hurricane resistance rating of a home and what that means.
- Recommend that new homes constructed be inspected and a hurricane rating applied to those homes.
- Recommend that a home rating, and its placement on a scale of 0 to 100, be characterized in a way that is easy for homeowners to understand.
 - Legislature could consider broad categories such as:
 - 80 to 100 is excellent, 60 to 80 is good, 40 to 60 is fair, etc.
 - Gold seal of approval – “Florida Hardened Home”
 - 1 to 5 gold stars – “Windstar Rated”
- Recommend encouraging Florida employers provide their employees information about the My Safe Florida Home program and the importance of mitigation.
- Recommend the Legislature consider requiring roofing and general contractors to disclose the safety and economic benefits of windstorm mitigation using a specific form designed by the state.

K.. Research on windstorm mitigation

Hurricane research is cornerstone to protecting homes and homeowners in Florida from wind damage from catastrophic storms, including how we build new homes and how we mitigate existing homes to withstand hurricanes.

- Recommend the Legislature consider establishing and funding an institute (Rep. Traviesa recommended Florida Catastrophic Storm Risk Management Center of Excellence) within Florida’s state university and community college systems, to align and develop academic and applied research related to all aspects of catastrophic storm risk management (storm forecasting, loss modeling, building construction/mitigation, insured/insurer risk management) in order to maximize Florida’s preparedness efforts and responsiveness to catastrophic storms.

(Another idea was establishing a commission that would serve as the centralized hub of mitigation activities, including research, data collection and analysis, strategic planning, and collaboration among multiple mitigation providers. The Commission would also develop and implement education and awareness about the benefits of mitigation, including personal safety and property security.)

***Mitigation of Manufactured Housing**

An estimated 1.1 million Floridians live in mobile and manufactured homes. A majority of mobile and manufactured homes are grouped together in mobile and manufactured home communities. The construction of manufactured homes is regulated by the federal Manufactured Housing Construction and Safety Standard Act. Compliance with this act is enforced by the Florida Department of Highway Safety and Motor Vehicles.

Mitigation efforts on mobile homes began in 1999 with the Foundation Enhancement Program, Section 215.559 (3) (a), Florida Statutes, following the increase in foundation standards for manufactured homes in response to weaknesses found after the 1998 tornados in Central Florida. The goal was to reduce property loss by enhancing the foundation systems of manufactured homes. The program is annually funded with \$2.8 million in proceeds from Florida's Hurricane Catastrophe Fund and is administered by Tallahassee Community College. Since 1999, approximately 16,000 homes have received strengthened foundation systems with \$19.6 million. The approximate cost per home was \$1,400 with no out-of-pocket costs to the homeowners and contractors were paid directly to do the work. Surveys conducted on almost 30,000 homes by DHSMV and FEMA following the 2004 and 2005 hurricane season revealed that manufactured homes retrofitted under this program sustained significantly less property damage than homes without enhancements. It was noted, however, that manufactured homes built between 1976 and 1994 experienced significant damage when the building envelope was breached when attached structures, such as carports and screened porches, tore away from the home.

During the 2006 Legislative Session, state lawmakers appropriated \$250 million to create the Florida Comprehensive Hurricane Damage Mitigation Program with the goal of better protecting Floridians and their homes against hurricanes and to reduce future property losses from hurricanes. Of the \$250 million, \$7.5 million was directed to Tallahassee Community College to establish and administer the Manufactured Housing and Mobile Home Mitigation and Enhancement Program. The program's purpose is to reduce property loss to manufactured homes by enhancing site-built, attached structures attached to manufactured homes and adding shutters. With these funds, between 1,600 and 2,000 manufactured homes will be retrofitted in nine counties, including Highlands, Sarasota, Indian River, Martin, Hillsborough, Polk, Sumter, Escambia and Santa Rosa counties. A maximum grant amount of \$3,500 per home is allocated with no required out-of-pocket expenses to the homeowner.

The committee discussed the need for and importance of a continued strategy to strengthen manufactured homes against hurricanes, where a great percentage of senior citizens on fixed incomes are living.

- ***Recommend that the Legislature continue and increase funding for the manufactured/mobile home enhancement programs set forth in s. 215.559(3), F.S. Funding should be in proportion to the market share of mobile/manufactured housing in the state, with priority given to manufactured homes built between 1976 and 1994.**

- ***Recommend that the Legislature include manufactured housing enhancement techniques in the research and testing performed with state monies.**
- ***Recommend that the Legislature ensure that there is adequate education and outreach to homeowners and the private insurance market regarding the effectiveness of mobile/manufactured home enhancement programs.**

***Mitigation of Commercial Structures**

The Study Committee recognized that challenges in mitigating Florida's homes against hurricane damage also extend to commercial properties, with many of the state's small employers experiencing significant difficulty in obtaining property insurance. Initially, a residual market – the Property and Casualty Joint Underwriting Association (PCJUA) – was established to make property insurance coverage available to commercial properties. During the 2007 Special Session, the PCJUA was dismantled and Citizens Property Insurance Corporation was directed to insure these commercial properties, approximately 300 policies.

The Study Committee reviewed and acknowledged the work and recommendations of the Task Force on Long-Term Solutions for Florida's Hurricane Insurance Market with respect to mitigating commercial structures. Specifically, older models projected hurricane losses for commercial properties to be 22 cents on the dollar for a 1 in 100 year event. New loss data on commercial structures from the 2004 and 2005 hurricane seasons factored into new projections by Risk Management Solutions estimate that losses for a 1 in 100 year event is 58 cents on the dollar.

Given the potential tripling of losses experienced by commercial properties from a catastrophic storm, mitigation of commercial structures must be part of the state's long-term mitigation strategy.

- ***Develop and implement a comprehensive and coordinated approach to mitigating hurricane damage to commercial structures.**
- ***Recommend the Legislature fund research to strengthen commercial structures against hurricanes.**
- ***Recommend the Legislature direct the Office of Insurance Regulation to develop, within a specific timeframe, a rating scale system for commercial structures.**
- ***Recommend the Office of Insurance Regulation develop a mitigation discount/credit program for commercial properties.**

Improving the My Safe Florida Home program:

Background: To apply for an inspection, a homeowner must first fill out an application and submit proof of homestead exemption and home's insured value of \$500,000 or less to the Department of Financial Services. The Department processes applications, verifies information and forwards applications, hundreds at a time, to the inspection company. The inspection company then calls the individual applicants to schedule an appointment. The Department also obtains insurance information from the applications and provides this information to the inspection company.

After the home is inspected, inspectors upload data collected on inspection forms to a state-owned computer model that generates a report that provides recommended mitigation plans, estimated costs to make improvements and estimated insurance discounts if improvements were made. The inspection report, along with the grant application, is mailed to the homeowner by the Department within 30 to 45 days.

To obtain a grant, the homeowner must then submit a completed grant application to the Department detailing what improvement plan they are pursuing so the Department can set aside adequate grant money for one year to allow the work to be completed. The Department then sends a grant award letter to the homeowner. The homeowner requests estimates from contractors listed on the approved registry at the Department of Financial Services. When the work is complete, the homeowner submits reimbursement forms to the Department. The Department processes the forms and sends a reimbursement check to the homeowner.

Legislative:

- Recommend the Legislature establish performance outcomes and require the managing agency to streamline the processes for homeowners who apply for an inspection and grant to improve customer service, to reduce the administrative burden on government and to maintain accountability.
- ****Recommend the Florida Legislature consider bifurcating the My Safe Florida Home program by:**
 - **Creating a separate distinct program that provides a financial incentive, such as a grant or rebate, to harden roofs beyond what is currently required by law in the Florida Building Code, including secondary water barrier and roof deck attachment, when existing roofs are replaced.**
 - **Creating a separate, distinct program that provides financial incentives, such as matching grants up to 50% for total opening protection, such as shutters, door replacement and garage door replacement, and other mitigation measures such as roof-to-wall connections and gable bracing.**

- **** Recommend the Legislature codify that ability for low-income homeowners who participate in the My Safe Florida Home program to self-certify that they meet the low-income requirements as defined in 420.0004 (10).**
- Recommend the Legislature require inspections for all homes currently in the High Risk Account at Citizens Insurance as part of their policy renewal.

Department (PRIORITY OUTCOMES)

- Recommend the Department of Financial Services expand inspections to all homesteaded homes statewide.
- Recommend the Department of Financial Services expand grants to all coastal counties plus those inland counties that experienced significant damage from a hurricane in 2004 and 2005, but limit grants to homestead homes built prior to the implementation of the 2002 Florida Building Code.
- ****Recommend the Department of Financial Services inspect 10 percent of all homestead homes, approximately 350,000, using the existing appropriation in the My Safe Florida Home program.**
- ****Recommend the Department of Financial Services provide grants to mitigate at least 35,000 homes, 25% of which should be eligible low income home, using the existing appropriation in the My Safe Florida Home program.**

Process Improvements:

- Eliminate the need for the Department of Financial Services to verify homestead and insured value before an inspection.
- Allow homeowners to contact approved inspection companies directly to schedule an appointment, at which time they would be required to self-certify that they meet eligibility requirements (homestead and insured value).
- Require inspectors to verify homestead and insured value at the time of the inspection and capture all necessary insurance information (wind premium and % deductible).
- Once data is uploaded, require the Department to process and mail the report within 10 days of the inspection. (Note: Data upload is contingent upon clean, quality data being submitted to the Department)
- At the same time inspection report is mailed, send a grant award letter and simple return notification form rather than a grant application.
- Require homeowners to return the notification form to the Department within 60 days. The notification form would state what improvement plan they are pursuing, what contractor they have chosen and the cost estimate to the improvement plan.

- Require the Department to send a communication (email, postcard, etc.) confirming receipt of the form and expiration date of the grant (one year).
- Allow the homeowner to choose any licensed contractor. (Eliminate the statutory requirement that the Department maintain a list of participating contractors that homeowners must use.)
- Continue to require homeowners to submit reimbursement forms to the Department when the work is complete.
- Require the Department to process reimbursements and send checks to the homeowner within 10 working days.

DRAFT - Working Document